

NCUA LETTER TO CREDIT UNIONS

**NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314**

DATE: May 2010

LETTER NO.: 10-CU-06

TO: All Federally Insured Credit Unions

SUBJ: Interagency Advisory on Interest Rate Risk Management

Dear Board of Directors and Chief Executive Officers:

The Federal Financial Institutions Examination Council (FFIEC) recently released an Advisory (attached) reminding institutions of supervisory expectations for sound practices to manage interest rate risk (IRR). The purpose of this letter is to summarize the key provisions of the Advisory. I strongly encourage you to review your existing IRR management processes, and strengthen them where necessary.

The Advisory addresses prudent IRR management practices, especially in light of current financial market and economic conditions. It is consistent with existing NCUA guidance and stresses the importance of effective:

- Corporate governance by your board of directors and senior management;
- Policies and procedures governing all aspects of your IRR management process;
- Risk measuring and monitoring systems commensurate with the size and complexity of your institution;
- Stress testing, including both scenario and sensitivity analysis;
- Risk mitigation strategies; and,
- Internal controls to ensure the integrity of all elements of your IRR management process.

If you have questions concerning the advisory, please contact your Regional Office, state supervisory authority, or examiner.

Sincerely,

/s/

Debbie Matz
Chairman

Attachment: [Advisory on Interest Rate Risk Management](#)

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